



# Strengthening America's Communities Initiative

## An Overview

February, 2005



United States  
Department of Commerce



## Strengthening America's Communities Initiative

America's changing economy is strong and getting stronger. But America's economic strength is not felt equally throughout the Nation. In low-income communities and in communities where traditional industries do not employ as many workers as they did a generation ago, opportunity can appear out of reach. President Bush believes that communities can make the transition to vibrant and strong economies because of the entrepreneurial spirit, vision, and hard work of those who live there. The job of government is to inspire, to help remove barriers to growth, to be accountable for taxpayer dollars, and to ensure results for programs aimed at making a difference in peoples' lives.

Building on existing economic and community development efforts, the President has proposed a new initiative to help strengthen America's transitioning and most needy communities, while making better use of taxpayer dollars by reforming and restructuring many of the existing federal economic and community development programs. The President's initiative, proposed in his Fiscal Year (FY) 2006 budget, consolidates 18 existing programs, simplifying access to the federal system. In exchange for the establishment of strong accountability measures, communities will have more flexibility in their use of funds. This initiative also establishes new eligibility criteria so that communities most in need will be assisted.

The new \$3.71 billion unified grant-making program better targets assistance and achieves greater results for low-income persons and economically-distressed areas. The President's initiative will:

- **Clarify the purpose of federal development assistance** to focus on the key drivers of economic growth and opportunity;
- **Simplify the grant process** so that communities and grantees no longer have to manage a fragmented array of programs;
- **Target funding to those communities most in need** of assistance (some communities would see increased funding from what they currently receive under the Community Development Block Grant program);
- **Hold grantees accountable** for results.

### Why is the President Proposing these Changes?

Seven major federal agencies currently provide \$16 billion through 35 grant, loan, and tax incentive programs for economic and community development efforts. The current system forces communities to navigate a maze of federal departments and programs in order to access economic and community development assistance programs, each imposing a separate set of standards and reporting requirements. This process is not only overly burdensome but it also has a negative impact on those smaller communities and organizations that lack the technical and administrative capacities to manage multiple grants with similar purposes.



The goal of federal economic and community development programs is to create the conditions for economic growth, robust job opportunities, and livable communities, thereby reducing a community's need to rely on perpetual federal assistance. Most of these programs currently lack clear goals or accountability measures, and are not able to sufficiently demonstrate measurable progress towards economic and community development goals, as determined in a review by the Office of Management and Budget (OMB).

Success is often hampered by this fragmented, and often duplicative, set of programs. By consolidating those programs that share a similar mission, the Strengthening America's Communities initiative will help provide a more coherent, strategic and results-oriented focus to federal economic development efforts. In addition, the President's proposal will better target funds to those communities most in need of assistance.

### **The President's Current Efforts to Help Communities in Transition:**

President Bush has introduced a new approach to economic and community development to help communities transition to a 21<sup>st</sup> century economy. His plan includes:

- **Creating new Opportunity Zones** to assist America's transitioning neighborhoods, which are areas that have lost a significant portion of their economic base as a result of our changing economy and are now in the process of transitioning to a more diverse, broad-based, 21<sup>st</sup> century economy, as well as communities with persistent poverty;
- **Establishing new education and job training programs** to help workers develop the skills needed to succeed in today's economy;
- **Introducing tax incentive proposals** for the development of single-family housing in low-income areas; and
- **Revitalizing former brownfields**, which are abandoned or underutilized industrial properties where redevelopment is hindered by possible environmental contamination and potential liability. Redevelopment of these properties is creating jobs and returning productive property to local tax rolls.

### **The President's Action to Strengthen America's Communities:**

In addition to the actions that the President has already taken to bolster America's prosperity, President Bush proposes to provide easier access to more flexible funding for those communities most in need in exchange for meeting strong accountability measures. He also proposes to provide incentives to communities that are already reducing barriers to economic development. Under this proposal, the Administration will make better use of taxpayer dollars by consolidating programs and funding into a unified and targeted program.

President Bush's proposal consolidates a subset of the federal government's economic and community development programs, transforming them into a new, two-part program: (1) The Strengthening America's Communities Grant Program, a unified economic and community development grant program, and (2) The Economic Development Challenge Fund, a bonus program for communities, modeled after the Millennium Challenge Account.



Funding from duplicative and ineffective programs will be used for the new, two-part program. The combined economic and community development programs (as well as the separate Opportunity Zones program) are to be administered by the Commerce Department.

## 1. Strengthening America's Communities Grant Program:

This new \$3.71 billion consolidated grant-making program provides funding to communities most in need of assistance by setting new eligibility criteria determined by job loss, unemployment levels and poverty. Through this program, communities are required to meet specific accountability measures to track progress towards the community's goals.

These measures will focus on the key drivers of economic growth and opportunity, such as job creation, new business formation rates, and increases in homeownership, commercial development, and private sector investment. If communities do not show progress in meeting accountability measures, the Commerce Department will work with the community on a plan of action and will provide technical assistance to ensure that future funds are used wisely. Communities that are consistently unable to use taxpayer dollars to meet the accountability measures would stand to lose future funding.

## 2. Economic Development Challenge Fund:

As part of the \$3.71 billion, the President is proposing a bonus grant program for low-income communities facing economic challenges that have already taken steps to improve economic conditions and demonstrate readiness for development, modeled after the President's Millennium Challenge Accounts.

A development-ready community is one that is already taking steps to improve conditions in ways that have been proven to attract businesses, such as:

- **Improving schools** by meeting No Child Left Behind adequate yearly progress goals;
- **Reducing regulatory barriers** to business creation and housing development; and
- **Reducing violent crime** rates within the community.

The Economic Development Challenge Fund builds upon the President's Opportunity Zones initiative by rewarding communities that have already taken steps toward economic development.



## Complexity of the Current System: 35 Community and Economic Development Programs Spread Across Seven Major Federal Agencies Overlap in Key Areas

(Programs in **bold** are being consolidated into Strengthening America's Communities Initiative)

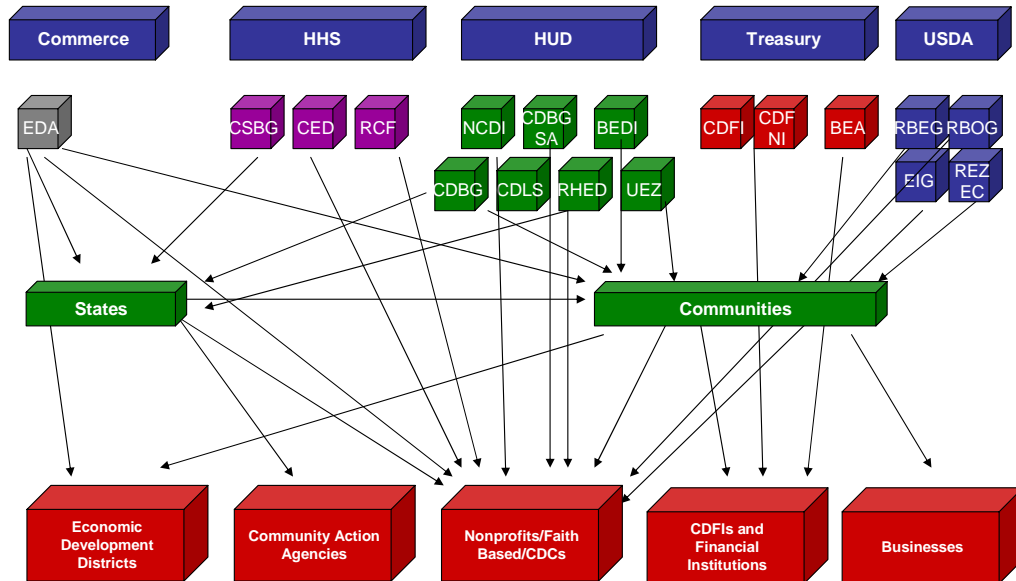
The proposal reduces duplication and fragmentation among the multiple federal economic development programs and concentrates efforts within a new economic development program at the Department of Commerce, resulting in greater mission alignment among the various cabinet agencies.

Tools/ Categories	Housing & Infrastructure	Economic Development	Technical Assistance/ Capacity Building	Individual/ Family Assistance
<b>Grants</b>	<ul style="list-style-type: none"> <li>Community Development Block Grant (CDBG)</li> <li>Economic Development Administration (EDA)</li> <li>Community Services Block Grant (CSBG)</li> <li>HUD Rural Housing and Economic Development (RHED)</li> <li>HUD Empowerment Zones (EZ) Grants</li> <li>USDA Enterprise Community/EZ Grants</li> <li>HHS Rural Community Facilities</li> <li>HOME Investment Partnerships</li> <li>Neighborhood Reinvestment Corp. (NRC)</li> <li>EPA Brownfield Cleanup</li> <li>HUD Self-Help Homeownership</li> <li>HUD Native American Housing Block Grants</li> <li>HUD Indian CDBG</li> <li>Regional Commissions</li> </ul>	<ul style="list-style-type: none"> <li>EDA</li> <li>CDBG</li> <li>CSBG</li> <li>HUD EZ grants</li> <li>Rural Business Enterprise Grants</li> <li>Rural EZ/EC</li> <li>HUD Brownfields</li> <li>HHS Community and Economic Development (CED)</li> <li>HUD RHED</li> <li>USDA Economic Impact Grants</li> <li>Regional Commissions</li> <li>SBA HUB Zone (procurement preference)</li> <li>HUD Indian CDBG</li> </ul>	<ul style="list-style-type: none"> <li>HUD National Community Development Initiative</li> <li>CDBG</li> <li>CDFI</li> <li>HUD RHED</li> <li>Rural Business Opportunity Grants</li> <li>USDA Economic Impact Grants</li> <li>Bank Enterprise Award (BEA)</li> <li>CDFI Native American Initiatives</li> <li>CDBG set-asides</li> <li>NRC</li> <li>Regional Commissions</li> </ul>	<ul style="list-style-type: none"> <li>CSBG</li> <li>CDBG</li> <li>HHS CED</li> <li>HUD EZ Grants</li> <li>CDFI</li> <li>CDFI Native American Initiatives</li> <li>BEA</li> </ul>
<b>Loans</b>	<ul style="list-style-type: none"> <li>USDA Community Facilities (inc. grants)</li> <li>USDA Intermediary Re-lending</li> <li><b>HUD Section 108 loans</b></li> </ul>	<ul style="list-style-type: none"> <li>SBA 504 loans</li> <li><b>HUD Section 108 loans</b></li> </ul>		
<b>Tax Incentives</b>	<ul style="list-style-type: none"> <li>New Markets Tax Credit (NMTC)</li> <li>Brownfields Remediation</li> <li>Single-Family Homeownership (proposed in 2006)</li> </ul>	<ul style="list-style-type: none"> <li>NMTC</li> <li>EZ/EC/RC (wage credits and other incentives)</li> <li>Opportunity Zones (proposed in 2006)</li> </ul>		

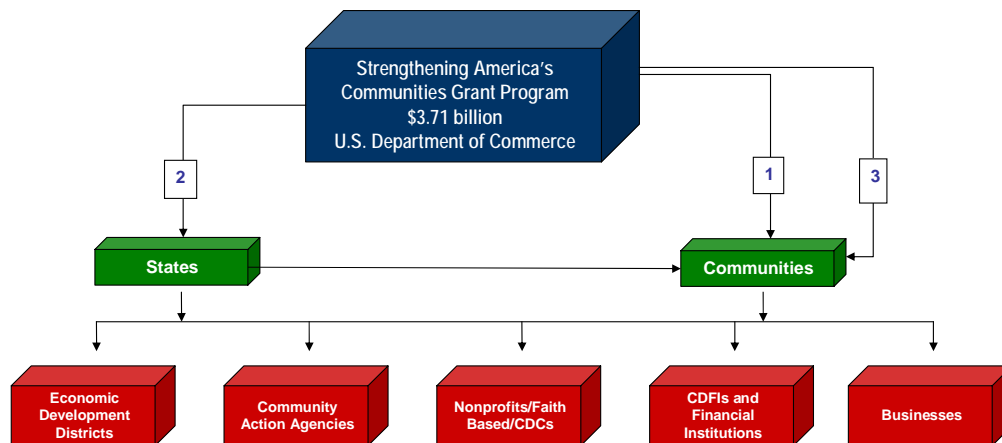
Note: Regional commissions listed include three federal-state partnerships—Denali Commission, Delta Regional Authority, and Appalachian Regional Commission



## The Current Economic and Community Development System is Fragmented



## Strengthening America's Communities Initiative Would Streamline Federal Economic Development Assistance

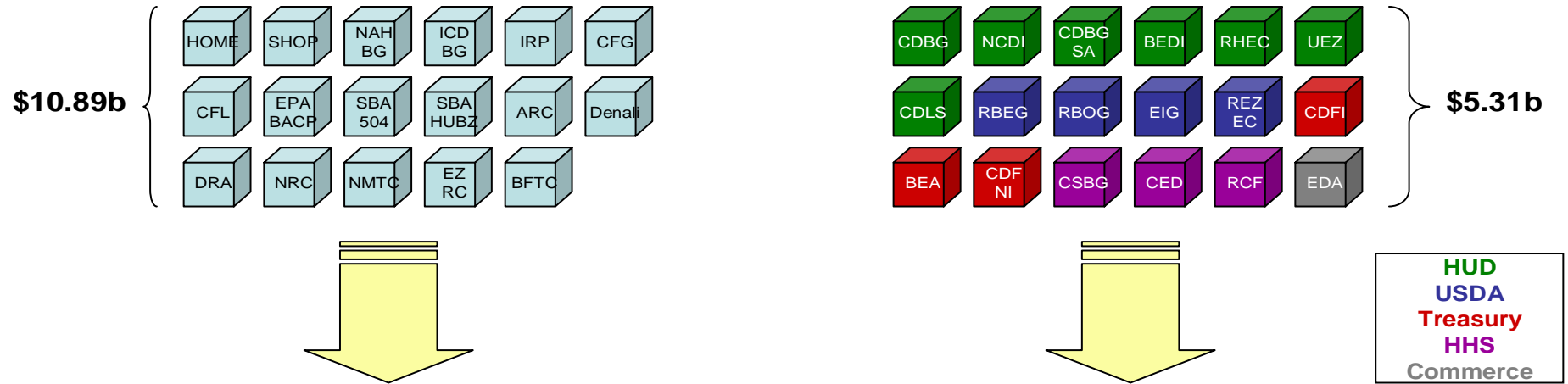


Funding will flow in three ways:

- 1 Directly to the community level to fund economic activities
- 2 To states, who will in turn distribute funding to communities
- 3 As bonus or incentive funding to a certain number of communities that are "development-ready"

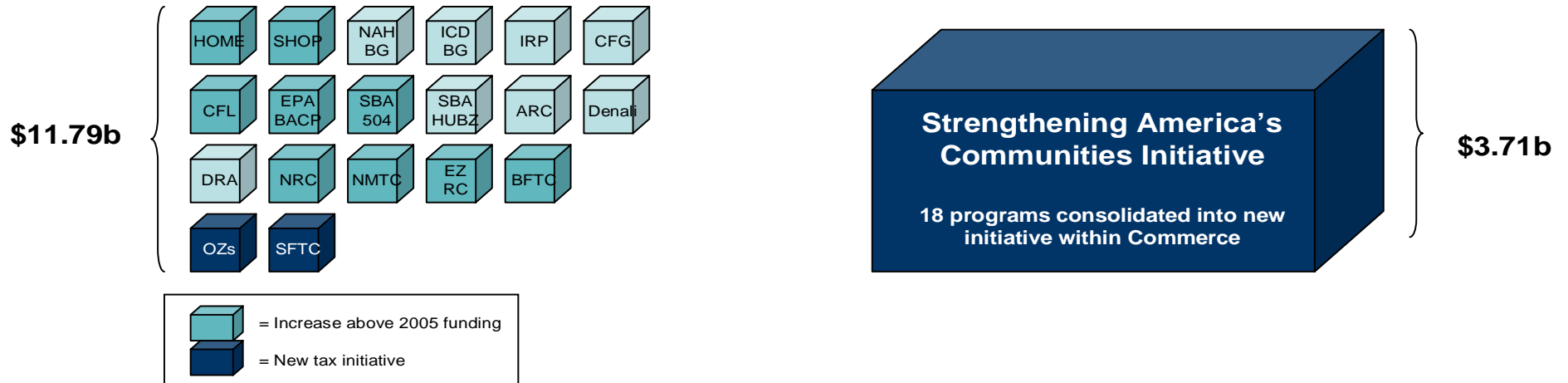


## FY2005 35 Economic and Community Development Programs Total: \$16.2 billion



## FY2006 20 Economic and Community Development Programs Total: \$15.5 billion

(including 18 programs consolidated into 1 new program, a 4% reduction from FY 2005)







## Federal Economic and Community Development Programs

### HUD

HIP	Home Investment Partnerships
SHOP	Self-Help Homeownership Opportunity Program
NAHBG	Native American Housing Block Grants
ICDBG	Indian Community Development Block Grants
CFG	Community Development Block Grants Formula Grants)
NCDI	National Community Development Initiative
CSA	CDBG Set Asides
BEDI	Brownfields Economic Development Initiative
RHEC	Rural Housing and Economic Development
UEZRG	Urban Empowerment Zones Round II
CDLS	Community Development Loans (Section 108)

### Commerce

EDA	Economic Development Administration
-----	-------------------------------------

### USDA

IRP	Intermediary Relending Program
CFG	Community Facilities Grants
CFL	Community Facilities Loans
RBEG	Rural Business Enterprise Grants
RBOG	Rural Business Opportunity Grants
EIG	Economic Impact Grants
REZEC	Rural Empowerment Zones/Enterprise Communities

### Treasury

CDFI	Community Development Financial Institutions Fund
BEAP	Bank Enterprise Award Program
CDFINI	CDFI Native American Initiatives

### HHS

CSBG	Community Services Block Grant
URCED	Urban & Rural Community & Economic Development
RCF	Rural Community Facilities

### EPA

EPABACP	Brownfield Assessment & Cleanup
---------	---------------------------------

### SBA

SBACDCL	Certified Development Company Loans
SBAHUBZ	Historically Underutilized Business Zones

### Regional Commissions

ARC	Appalachian Regional Commission
DC	Denali Commission
DRA	Delta Regional Authority

### Independent

NRC	Neighborhood Reinvestment Corp.
-----	---------------------------------

### Current Tax Programs

NMTC	New Markets Tax Credit
EZRCWC	Empowerment Zones/Renewal Community Wage Credit
BTEERC	Brownfield Tax Expense of Environmental Remediation

### \*New Tax Proposals

OZs	Opportunity Zones
SFTC	Single-Family Homeownership Tax Credit





## Opportunity Zone Program

President Bush believes that America's economic prosperity should extend to every corner of our country. To help reach that goal, he has introduced a new "Opportunity Zone" initiative to assist America's transitioning neighborhoods – those areas that have lost a significant portion of their economic base as a result of our changing economy, for example, due to loss of manufacturing or textile employment, and are now in the process of transitioning to a more diverse, broad-based, 21<sup>st</sup> century economy. The Opportunity Zone Program is a separate program from the Strengthening America's Communities Initiative, but is designed to work in conjunction with the new initiative.

Opportunity Zones ease that transition by targeting federal resources and encouraging new and existing businesses to invest in these areas. Opportunity Zones are different from existing Empowerment Zones (EZ), Enterprise Communities (EC), and Renewal Communities (RC). They provide a comprehensive, results-based approach, expanding the focus of assistance beyond economic activity to encompass education, job training, affordable housing, and other activities critical for a vibrant community.

Communities already designated EZs, ECs, or RCs are allowed to apply for Opportunity Zone designation. In addition, Opportunity Zones recognize that overcoming barriers to growth requires local involvement. Designation as an Opportunity Zone requires a commitment from the community to partner with the federal government and a demonstrated capacity to reduce local barriers to development and create jobs.

### What benefits do Opportunity Zones receive?

Areas qualifying for Opportunity Zone status are moved to the front of the line for certain federal assistance programs. Specifically, individuals, organizations, and governments within an Opportunity Zone can receive priority designation when applying for the following federal programs:

- 21<sup>st</sup> Century After-school, Early Reading First, and Striving Readers funding;
- Community Based Job Training Grants;
- USDA Telecommunications Loans, Distance Learning and Telemedicine grants, and Broadband loans; and
- New Markets Tax Credits.

To stimulate growth, opportunity, and job creation, Opportunity Zones encourage businesses to locate, invest, and hire in the community through:

- **Lower Marginal Rates.** Small businesses located within Opportunity Zones see significantly lower effective tax rates on their business income.
- **Investment Incentives.** Small businesses located within Opportunity Zones qualify for an extra \$100,000 in expensing for purchases of tools and other equipment used within the Zone. This \$100,000 is in addition to the \$100,000 that they can already expense under the President's tax policies. Moreover, firms of all sizes receive accelerated depreciation for the construction or rehabilitation of commercial buildings located within the zone.



- **Incentives to Hire New Workers.** Businesses within an Opportunity Zone are encouraged to hire Zone residents and welfare recipients through a unified wage tax credit combining the best elements of the Work Opportunity and the Welfare to Work tax credits. Workers eligible for the tax credit include Opportunity Zone residents, welfare and food stamp recipients, and other targeted groups.
- **Regulatory Relief.** As part of the federal commitment to Opportunity Zones, the Office of Management and Budget reviews federal regulatory and paperwork burdens imposed on these communities.

## Which communities qualify to be an Opportunity Zone?

Opportunity Zones expand the concept of traditional enterprise zones to include communities in transition. A community can qualify to be an Opportunity Zones by fitting one of the following two categories:

- **Rural or Urban “Communities in Transition”.** These areas have suffered from a significant decline in the economic base, including a decline in manufacturing and retail establishments, within their community over the past decade and benefit from targeted assistance in transitioning to a more diverse, 21<sup>st</sup> century economy.
- **Existing Empowerment Zones, Enterprise Communities, or Renewal Communities.** These communities received their designation due to high poverty rates, high unemployment, and low incomes. By receiving an Opportunity Zone designation in lieu of their current designation, however, these communities are eligible for the expanded benefits available to Opportunity Zones.

There will be 40 new Opportunity Zones selected – 28 urban zones and 12 rural zones – through a competitive process. The competitive process will determine whether there is a commitment from the community to partner with the federal government and a demonstrated capacity to reduce local barriers to development and create jobs.

## How does a community become an Opportunity Zone?

In order to qualify to be an Opportunity Zone, a community that either (1) meets the “community in transition” eligibility requirements above, or (2) is an EZ, EC, or RC, must:

- **Develop a “Community Transition Plan.”** To encourage increased business and residential activity within an Opportunity Zone, an applying community develops and submits a “Community Transition Plan,” which sets concrete, measurable goals for reducing local regulatory and tax barriers to construction, residential development and business creation. Communities that have already worked to address these issues receive credit for recent improvements.
- **Submit an Application.** An interested community needs to submit an application, including the Community Transition Plan. Zone designation is awarded through a competitive selection process.
- **Report Results.** Approved communities report regularly on the concrete results they are achieving, including construction, residential development, and business job creation.



## FAQ's on the President's Strengthening America's Communities Initiative

### 1. On what basis has the Administration concluded that the current federal programs are not effective in supporting community development?

During 2004, the Administration reviewed the effectiveness and structure of federal community and economic development programs. The Office of Management and Budget (OMB) used its Program Assessment Rating Tool (PART) to analyze several programs to identify challenges shared by these programs. An inter-agency group, the Interagency Collaborative on Community and Economic Development (ICCED), assisted this review by highlighting the strengths, weaknesses and challenges of community and economic development efforts. The Administration also reached out to stakeholder groups to begin a dialogue on issues such as targeting, performance and accountability, which are key elements of this proposal.

Several findings resulted from this review. First, several of these programs had unclear long-term objectives and were not focused on long-term community outcomes. Second, the programs did not coordinate effectively, and in many cases overlapped in mission and function. For example, assistance for infrastructure investment is provided by at least four federal agencies. Third, many communities no longer in need of assistance continue to receive funding, undermining the purpose of some programs – to help distressed communities. For example, the Community Development Block Grant (CDBG) program at the Department of Housing and Urban Development was created to serve distressed communities, but 38% of the funds currently go to communities and States with less poverty than the national average. Finally, and most importantly, the programs were unable to demonstrate that they were achieving long-term outcomes. In fact, there was little research to demonstrate that federal investment had improved communities over the long-term. Ultimately, these programs should be able to measure conditions and track changes in key indicators such as job creation, homeownership, commercial development and increases in private sector investment.

### 2. Is this a major cut in federal economic and community development programs?

No. Overall resources (grants, loans, and tax incentives) provided for the 35 economic and community development programs in FY 2005 were \$16.2 billion. For this same set of programs (including the new Strengthening America's Communities Grant Program, the Economic Development Challenge Fund, Opportunity Zones, and other existing Administration proposals) overall resources in the FY 2006 Budget are \$15.5 billion -- a reduction of 4 percent (Opportunity Zones offer \$10 billion worth of tax benefits over ten years to the 40 communities chosen to participate in FY 2006).

For the 18 programs proposed for consolidation, spending is reduced from \$5.31 billion in FY 2005 to \$3.71 billion in FY 2006, a 30 percent decrease. Because we would eliminate funding for developed communities to focus on more needy communities, the amount of money available for needy communities to receive would increase.



### 3. Isn't this really just a disguise for cutting funding?

No. The Administration would make these proposals regardless of the budget situation, because reviews of the federal economic and community development programs demonstrate that many are in need of reform and restructuring. Many of the current programs were developed for the challenges of another era. The world, and the economy, have changed, and federal economic and community development programs must evolve to keep pace with this change. The President's proposed reforms will improve community and economic development efforts for low-income persons and economically-distressed areas through a more targeted and results-oriented approach.

### 4. How are the programs within the Strengthening America's Communities Grant Program different from existing economic and community development programs?

The Strengthening America's Communities Initiative will provide wide-ranging flexibility at the local level for selecting high-impact investments for economic and community development. *(see Chart on page 5)*. Given that local leaders are much closer to and more familiar with local economic challenges and opportunities, they will be much more effective than the federal government can be at choosing such investments. Also, this new approach highlights the need to help communities that are transitioning to a 21<sup>st</sup> Century economy. As part of the President's proposal, "development-ready" low-income communities would receive bonus or incentive funding. "Development-ready" communities are those that are already taking steps to improve conditions in ways that have been proven to attract businesses, including: 1) improving schools by meeting No Child Left Behind adequate yearly progress goals; 2) reducing regulatory barriers to business creation and housing development; and 3) reducing violent crime.

### 5. How would funds be made available to eligible communities?

Funding will flow in three ways: 1) directly to the community level to fund economic development activities; 2) to States, which in turn will distribute funding to communities, especially rural communities, not reached by the first stream of funding; and 3) as bonus or incentive funding to a certain number of communities that are "development ready". *(See chart on page 5)*.

### 6. What will the eligibility requirements be for funding under the Strengthening America's Communities Grant Program, and how many communities will be funded?

The number of communities funded will depend on the eligibility criteria developed and the amount of funding appropriated by Congress. The Administration is working closely with Congress and affected communities to further define the criteria. Most current CDBG communities would be eligible for this new program. While fewer communities would likely be funded, eligible communities could receive increased amount of funding compared to their CDBG amounts.

The Administration believes that eligibility and funding criteria should be set to target communities that are most in need of assistance, as determined by indicators such as unemployment, job loss and poverty. This will result *in increased funding for the neediest communities*.



The Strengthening America's Communities Initiative provides wide-ranging flexibility at the local level for selecting high-impact investments for economic and community development. In addition, through this initiative, and particularly through the Opportunity Zone program, a special effort will be made to identify and work with communities that suffer sudden and severe economic dislocations.

#### **7. What are the new accountability measures? What will be the requirements and limitations on the use of funds?**

These types of details will be determined in close collaboration with Congress and stakeholder groups as the Administration creates legislation for the initiative, which will be submitted to Congress this spring.

The accountability measures and other requirements will reflect the Administration's belief that local flexibility is more effective than federal control. The Administration will set accountability measures for the use of taxpayer dollars, requiring communities to show that they have made progress toward locally selected goals for development (such as job creation, homeownership, commercial development, improving blighted or abandoned properties, and increasing the number of businesses in their area) in return for being able to determine locally how best to spend federal dollars to meet those outcomes.

#### **8. What happens to low-income neighborhoods that are unable to meet accountability standards?**

If, after a certain period of time, communities do not show progress in meeting the accountability measures, the Department of Commerce will provide enhanced technical assistance to develop a corrective action plan with the community. Communities that are ultimately unable to meet the accountability measures would stand to lose future funding.

#### **9. Will there be any role for local organizations and nonprofit groups that are currently eligible for grant programs such as CDBG or EDA? What about faith-based organizations?**

States and communities will provide sub-grants to support projects that are aligned with local development priorities. It is envisioned that these development organizations will be eligible for these sub-grants from States and communities.

#### **10. Why is the Department of Commerce being chosen to administer the Strengthening America's Communities Program?**

The engine of economic and community development is economic opportunity, ownership and job growth. Because the focus of this initiative is on economic development, creating local job opportunities, and helping communities transition to self-sustaining economies, the Commerce Department's mission (*job creation, economic development, and opportunity*) is more consistent with those goals.

#### **11. Why is the Administration proposing a new program rather than modifying an existing program, such as CDBG?**

To ensure the efficient use of taxpayer resources and improve the focus on results, it is not enough to improve one program. Federal support for local development is now fragmented. One way the



Administration seeks to improve the performance of these programs is by consolidating them. CDBG was created by a similar consolidation 30 years ago (see Chart of page 5).

During 2004, OMB reviewed the effectiveness and structure of Federal community and economic development programs. The review found that many programs are not only duplicative but could not demonstrate measurable results. The CDBG program was found to be ineffective for several reasons: diffuse goals, lack of accountability, weak targeting to need, among them.

It is important to note that most of the grantees that currently receive CDBG funding will continue to receive funding under this new initiative. A major difference between the Strengthening America's Communities Initiative programs and the CDBG program is that funds will be better targeted to need. The CDBG program was intended to help people and places in need. Over the years, CDBG's formula has become less targeted. Some relatively affluent areas receive more funding per capita than poorer communities for no other reason than population increase or the age of their housing stock. By focusing on communities most in need, fewer communities would likely be funded, but those would receive an increased amount of funding.

The President's initiative also places the focus on results and increasing accountability. By providing localized flexibility, incentives and increased accountability, we can reward communities that make concrete economic improvements in distressed areas. However, this new program will not only track "where did these investments go", but more importantly, it will ask the fundamental question "with what result?" Where communities are unable to demonstrate progress on achieving locally-defined goals, the Commerce Department will provide technical assistance to help communities revise their development strategies.

Finally, the Strengthening America's Communities Initiative recognizes that federal economic development efforts need to adapt to changing regional and national economic conditions and to the changing understanding of the process of economic development. The economic growth of an area depends on the development of strategies that focus on a community's unique strengths that are market-based and can leverage private, community, and public resources. The President's proposal provides a new approach that builds on the best practices and lessons learned from previous efforts. By focusing on the leading indicators of economic growth and opportunity, this new program will emphasize strategies to: connect distressed inner city economies to regional and national markets; help transitioning communities enhance their competitiveness; and promote the revitalization of rural communities by building on regional assets.

However, the belief that economic and community development is a local process has not changed. This partnership is critical to improving the competitiveness of America's communities and thereby improving the standard of living for those most in need.

## 12. With these changes, what is HUD's role in development?

HUD currently plays, and will continue to play, a vital role in urban development by increasing homeownership, helping cities combat homelessness and increasing access to affordable housing. HUD's HOME Investment Partnerships Program will remain an important vehicle to promote community





development. Each year, HUD allocates approximately \$2 billion to more than 600 state and local participating jurisdictions to increase the stock of affordable housing.

HUD's American Dream Downpayment Initiative helps provide closing cost and down payment assistance to lower income borrowers. The Administration also proposes a record \$30 million for its Self-Help Homeownership Opportunity Program (SHOP) to fund nonprofit organizations like Habitat for Humanity that build affordable housing.

### **13. What will happen to existing U.S. Government commitments, and to employees of current programs?**

There is no intent to cancel or rescind any obligations made under the existing programs. The FY06 Budget provides funding for salaries and other administrative costs to close out grants from previous years. The Administration will continue to address these questions as it develops its legislative proposal, which will be submitted to Congress in the coming months. It will provide the necessary authorities to transition the programs and ensure the necessary administrative resources to support their activities. The President's FY06 budget provides the Department of Commerce with adequate funding to start up the new program in 2006.

### **14. How will the initiative be implemented, and how can stakeholders provide their input into this process?**

This is a major initiative that will require legislation to enact. The Administration has already begun close collaboration with Congress and stakeholder groups, including a White House Briefing to interested economic development and industry organizations on February 9. The Secretaries of Commerce and HUD have jointly and separately discussed the initiative with interested organizations, individuals, and members of Congress, and will continue to do so as legislation is developed.

Furthermore, U.S. Commerce Secretary Carlos M. Gutierrez has announced the formation of a Secretarial Advisory Committee at the Department of Commerce to provide comprehensive advice and recommendations on the implementation of the President's Strengthening America's Communities Initiative. Nominations for committee membership can be made by accessing the Federal Register notice at [www.commerce.gov/SACI](http://www.commerce.gov/SACI).

The Administration's goal is not to create a large new federal infrastructure, but rather to allow increased accessibility and flexibility for communities and states. However, there will be a need to monitor communities' progress on achieving program goals. There are efforts currently underway to improve reporting and monitoring processes in a variety of existing federal programs. The Secretarial Advisory Committee will work to incorporate these "best practices" into the new administrative structure of the Strengthening America's Communities Initiative.

Please keep posted on the Strengthening America's Communities Initiative at <http://www.commerce.gov/SACI/index.htm> for updates and announcements.